

**CASH MANAGEMENT IMPROVEMENT ACT**  
**AGREEMENT**  
**THE STATE OF LOUISIANA**  
**AND**  
**THE SECRETARY OF THE TREASURY,**  
**UNITED STATES DEPARTMENT OF THE TREASURY**  
**FOR THE PERIOD JULY 1, 1998 THROUGH JUNE**  
**30, 2001**

The Secretary of the Treasury, United States Department of the Treasury (hereafter "Secretary"), and the State of Louisiana (hereafter "State"), in order to implement Section 5 of the Cash Management Improvement Act of 1990, as amended (hereafter "Act"), agree as follows:

**1.0 AGENTS OF THE AGREEMENT**

**1.1** The authorized official for the State of Louisiana shall be the Commissioner of Administration in all matters concerning this agreement.

**1.2** The Assistant Commissioner, Federal Finance, Financial Management Service (FMS), U.S. Department of the Treasury, shall act as the Secretary's representative in all matters concerning this agreement.

**2.0 AUTHORITY**

**2.1** The authority for this agreement is the Cash Management Improvement Act of 1990 (Public Law 101-453), as amended by the Cash Management Improvement Act Amendments of 1992 (Public Law 102-589), codified at 31 U.S.C. 6501 and 31 U.S.C. 6503.

**2.2** The regulations codified at 31 CFR Part 205 shall apply to all matters pertaining to this agreement, and are incorporated by reference herein. In the event of any inconsistency between this agreement and 31 CFR Part 205, the regulations shall govern.

**3.0 DURATION, AMENDING, AND TERMINATING**

**3.1** This agreement shall take effect on July 1, 1998, and shall remain in effect until June 30, 2001.

**3.2** This agreement may be amended at any time by written, mutual consent of the State and FMS. This agreement shall be amended annually, effective with the first day of the State's fiscal year, to incorporate new programs that qualify as major federal assistance programs and remove programs that no longer qualify as major federal assistance programs.

**3.3** Notwithstanding Section 3.2, in the event of federal or State non-compliance with Subpart B of 31 CFR, Part 205, FMS may amend this agreement at any time to incorporate additional programs and the entities which administer those programs.

**3.4** This agreement may be terminated by either party with thirty days' written notice. If this agreement is terminated, FMS shall prescribe the funding techniques, clearance patterns, and methods of calculating interest liabilities to be used by the State.

#### **4.0 PROGRAMS COVERED**

**4.1** The State's threshold and its major federal assistance programs shall be determined by the most recent State Single Audit Report. All major federal assistance programs shall be covered by this agreement, unless otherwise specified in Section 4.3 of this agreement.

**4.2** The State's threshold for major federal assistance programs is \$19 million. The following programs meet or exceed the threshold:

CFDA#	Program Name
10.550	Food Distribution
10.551	Food Stamps
10.553	School Breakfast Program
10.555	National School Lunch Program
10.557	Special Supplemental Food Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
10.561	State Administrative Matching Grants for Food Stamp Program
10.565	Commodity Supplemental Food Program
14.228	Community Development Block Grants/State's Program
17.225	Unemployment Insurance
17.246	Employment and Training Assistance - Dislocated Workers
17.250	Job Training Partnership Act
20.205	Highway Planning and Construction
66.458	Capitalization Grants for State Revolving Funds
84.010	Title I Grants to Local Educational Agencies
84.027	Special Education - Grants to State
<del>84.032</del>	<del>Federal Family Education Loans</del> (See Amendment #3)
84.038	Federal Perkins Loan Program - Federal Capital Contributions
<del>84.048</del>	<del>Vocational Education Basic Grants to States</del> (See Amendment #3)
84.063	Federal Pell Grant Program
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States

93.558	Temporary Assistance for Needy Families
93.575	Child Care and Development Block Grant
93.596	<b>(See Amendment #3)</b>
93.658	Foster Care - Title IV-E
93.667	Social Services Block Grant
93.778	Medical Assistance Program
96.001	Social Security - Disability Insurance

**4.3** The following programs fall below the State's threshold but have been required to be covered by FMS in accordance with the non-compliance provisions of Subpart B of 31 CFR Part 205:

CFDA # Program Name

N/A

**4.4** The following programs fall below the State's threshold but are being included in the Agreement for the reason indicated below:

CFDA #	Program Name	Grounds for Inclusion
93.959	Block Grants for Prevention and Treatment of Substance Abuse	FY97 Adjustment caused expenditures to fall below threshold, but subsequent year's expenditures expected to be above threshold

**4.5** The following programs exceed the State's threshold but have been excluded from coverage for the reason indicated:

CFDA #	Program Name	Grounds for Exclusion
10.550	Food Distribution	Non-Cash
10.551	Food Stamps	Non-State
10.565	Commodity Supplemental Food Program	Cash Portion of Grant less than State's threshold
66.458	Capitalization Grants for State Revolving Funds	State Interest Exemption
84.032	<b>(See Amendment #3)</b> <del>Federal Family Education Loans</del>	<del>Federal Statute State Interest Exemption</del>
84.038	Federal Perkins Loan Program - Federal Capital Contributions	Non-State
84.063	Federal Pell Grant Program	Majority funds Non-State, remainder less than State's Threshold

## 5.0 ENTITIES COVERED

**5.1** State agencies and instrumentalities that meet the definition of a State per 31 CFR Part 205, shall be subject to the terms of this agreement. The following is a list of such entities

that administer funds under the programs listed in Sections 4.2 or 4.3 in this agreement: (See Amendment 2)

State Agency/Instrumentality

Department of Education

Department of Environmental Quality

Department of Health and Hospitals

Department of Labor

Department of Social Services

Department of Transportation and Development

Executive Department

~~Office of Student Financial Assistance~~ (See Amendment #3)

5.2 Entities that meet the definition of a fiscal agent per 31 CFR Part 205 shall be subject to the terms of the agreement. The following is a list of fiscal agents that administer funds under the programs listed in Section 4.2 or 4.3 of this agreement:

Fiscal Agent CFDA# Program Name

N/A

## 6.0 FUNDING TECHNIQUES

### 6.1 General Terms

6.1.1 The State shall request federal funds in accordance with the appropriate cut-off times shown in Exhibit I to ensure funds will be received and credited to a State account by the times specified in the funding techniques. Exhibit I is incorporated by reference herein.

6.1.2 The State shall schedule the receipt of federal funds such that the funds are received and credited to a State account in accordance with the clearance patterns specified in the last certification or as updated in Exhibit II. Exhibit II is incorporated by reference herein.

6.1.3(See Amendment #3) In instances where the receipt of funds is scheduled for a Saturday, the State shall request funds for deposit on Friday. In instances where the receipt of funds is scheduled for a Sunday, the State shall request funds for deposit on Monday. In instances where the receipt of federal funds is scheduled for deposit on a day when the State is not open for business, the State shall request funds for deposit the day following the scheduled day. In instances where the receipt of federal funds is scheduled for deposit on a day when the federal government is not open for business, the State shall request funds for deposit the day prior to the scheduled day.

### 6.2 Description of Funding Techniques

6.2.1 The following are the terms under which a funding technique shall be implemented for all transfers to which the funding technique is applied in Section 6.3 of this agreement. Other

mutually acceptable funding techniques shall be described within Section 6.3 for specific programs.

#### **6.2.2 Technique: Actual Clearance (ZBA) - Same Day Payment**

**Description:** The State shall request funds the same day it pays out funds in accordance with the appropriate federal agency cut-off time specified in Exhibit I. A federal agency will deposit funds in a State account the same day as requested. The amount of the request shall be for the amount of funds that clear the State's account that day.

#### **6.2.3 Technique: Estimated Clearance**

**Description:** The State shall request funds such that they are deposited by ACH in a State account in accordance with the clearance pattern specified in Exhibit II. The request for funds shall be made in accordance with the appropriate federal agency cut-off time specified in Exhibit I.

#### **6.2.4 Technique: Average Clearance**

**Description:** The State shall request funds such that they are deposited by ACH on the dollar-weighted average day of clearance for the disbursement. The request for funds shall be made in accordance with the appropriate federal agency cut-off specified in Exhibit I. The amount of the request shall be for the exact amount of that disbursement.

#### **6.2.5 Technique: Composite Clearance**

**Description:** The State shall request funds such that they are deposited on the dollar-weighted average number of days required for funds to be paid out for a series of disbursements. The request for funds shall be made in accordance with the appropriate federal agency cut-off time specified in Exhibit I. The amount of the request shall be the sum of the payments issued in the series of disbursements.

#### **6.2.6 Technique: Post-Issuance**

**Description:** ~~The State shall request funds such that they are deposited in a State account after the State issues checks, but before the checks clear. The request shall be made in accordance with the appropriate federal agency cut-off time specified in Exhibit I. The amount of the request shall be the amount of the disbursement.~~ **See Amendment #5**

#### **6.2.7 Technique: Actual and Adjusted Estimate**

**Description:** Administrative costs for all programs will be drawn at the same time as payroll. The draw will consist of an amount to fund the actual expenditures of the prior week and an amount to fund the estimated expenditures of the current/upcoming week based on year to date actual expenditures. The estimated draws will be adjusted for variances between the most recent estimate and actual expenditures each time a draw is made. Neither the state nor the Federal Government will incur an interest liability when this technique is properly applied.

#### **6.2.8 Technique: Estimated Allocation**

**Description:** The State will draw payroll and administrative costs on a biweekly basis for the average clearance of the payroll payments. The request shall be made in accordance with the

federal agency cut-off time specified in Exhibit I. The funds requested will be determined by using the actual expenses charged to the program in the previous quarter.

#### **6.2.9 Technique: Actual Allocation**

**Description:** ~~The State shall request funds once a month, such that they are deposited with the payment for the first billing cycle of the following month. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount requested shall be the previous month's actual expenditures based on actual costs distributed in accordance with the State's approved Cost Allocation plan. See Amendment #5~~

#### **6.2.10 Technique: Actual At Fixed Intervals**

**Description:** The State shall request funds once a week, such that they are deposited on the following business day to fund the actual activity of the previous week. The request shall be made in accordance with the appropriate federal agency cut-off time specified in Exhibit I. The amount of the request shall be based on the amount of the actual cash outlays for direct administrative costs during the week.

#### **6.2.11 Technique: Vouchers Cleared**

**Description:** The State utilizes a contractor bank for the processing of food drafts issued under this program. The contractor bank will notify the agency daily of the vouchers presented for clearance for the previous 24-hour period. The State will wire funds to the contractor bank for the clearance amount on the day of notification. On the same day, the agency will process a drawdown through Smartlink for the amount wired by the State that day to the contractor bank. Funds will be transferred to the State account on the same day as the request. Once each month, an adjustment letter of credit will be processed to compensate for special milk issuance's from inventory, journal entries, contractor adjustments, and miscellaneous reconciling items between actual food outlays and the letter of credit funds received to date.

#### **6.2.12 and 13 (See Amendment #2)**

### **6.3 Application of Funding Techniques to Programs**

**6.3.1** The State shall apply the following funding techniques to the component cash flows of the programs in Sections 4.2, 4.3 and 4.4 of this agreement.

**6.3.2** CFDA# 10.553 School Breakfast Program

Recipient: Department of Education 100%

Component: Payments to Parishes, Universities, and Public Schools

Technique: Average Clearance

**6.3.3** CFDA# 10.555 National School Lunch Program

Recipient: Department of Education 100%

Component: Payments to Parishes, Universities, Public Schools, and Daycare Providers

Technique: Average Clearance

<b>6.3.4</b> (WIC)	CFDA# 10.557	Special Supplemental Food Program
Recipient:	Department of Health and Hospitals 100%	
Component:	Vouchers	
Technique:	Vouchers Cleared	
Component:	Payroll	
Technique:	Average Clearance	
Component:	Administrative Costs	
Technique:	Actual and Adjusted Estimate	
<b>6.3.5</b>	CFDA# 10.558	Child and Adult Care Food Program
Recipient:	Department of Education 100%	
Component:	Payments to Daycare Providers	
Technique:	Average Clearance	
<b>6.3.6</b>	CFDA# 10.561	State Administrative Matching Grants
for Food Stamp Program		
Recipient:	Department of Social Services 100%	
Component:	Contract Payments (See Amendment #3)	
Technique:	Average Clearance	
Component:	Payroll	
Technique:	Average Clearance	
Component:	Administrative Cost Grant	
Technique:	Actual and Adjusted Estimate	
<b>6.3.7</b>	CFDA# 14.228	Community Development Block
Grants/State's Program		
Recipient:	Executive Department 100%	
Component:	Program Expenditures	
Technique:	Average Clearance	
Component:	Payroll	
Technique:	Average Clearance	
Component:	Administrative Costs	
Technique:	Actual and Adjusted Estimate	
<b>6.3.8</b>	CFDA# 17.225	Unemployment Insurance

Recipient: Department of Labor 100%

Component: Benefit Payments - Federal  
Technique: Estimated Clearance

Component: Benefit Payments - State  
Technique: Post-Issuance

Component: Payroll & Administrative Costs  
Technique: ~~Estimated Allocation~~ See Amendment #5

**6.3.9** CFDA# 17.246 Employment and Training Assistance  
Dislocated Workers (See Amendment 2)

Recipient: Department of Labor 100%

Component: Subgrantee Disbursements

Technique: Actual Clearance (ZBA)

Description: Funds for the subgrantees are requested through Smartlink three times a week. Funds are transferred to the State on the same day. Funds are then wired to the subgrantees on the same day.

Component: Payroll  
Technique: ~~Average Clearance~~ See Amendment # 5

Component: Administrative Costs  
Technique: : Actual and Adjusted Estimate

**6.3.10** CFDA# 17.250 Job Training Partnership Act (JTPA)

Recipient: Department of Labor 100%

Component: Service Delivery Area Disbursements

Technique: Actual Clearance (ZBA)

Description: Funds for the Service Delivery Areas are requested through Smartlink three times a week. Funds are transferred to the State account on the same day. Funds are then wired to the Service Delivery Areas on the same day.

Component: Payroll & Administrative Costs  
Technique: ~~Estimated Allocation~~ See Amendment #5

Subrecipient: Department of Education

Component: Service Delivery Area Disbursements

Technique: Average Clearance

Description: Department of Education shall issue checks on days for which the dollar-weighted average clearance pattern will correspond to one of the three days Department of Labor requests funds.

**6.3.11**  
**AMENDMENT #1**

CFDA# 20.205

Highway Planning and Construction **SEE**

Recipient: Department of Transportation and Development 99.99%

Component: Capital Projects

Technique: Composite Clearance

Component: Administrative Costs

Technique: Actual Allocation - Monthly

Description: The State shall request funds once a month, such that they are deposited with the payment for the first billing cycle of the following month. The request shall be made in accordance with the appropriate Federal agency cut off time specified in Exhibit I. The amount requested shall be the previous month's actual expenditures based on actual costs distributed in accordance with the State's approved Cost Allocation plan. **See Amendment # 5**

Materiality Exemption: Department of Revenue and Taxation 0.01%

**6.3.12**  
Agencies

CFDA# 84.010

Title 1 Grants to Local Education

Recipient: Department of Education 100%

Component : Program Expenditures

Technique: Average Clearance

Component: Payroll & Administrative Costs

Technique: Actual at Fixed Intervals

**6.3.13**

CFDA# 84.027

Special Education - State Grants

Recipient: Department of Education 100%

Component: Program Expenditures

Technique: Average Clearance

Component: Payroll & Administrative Costs

Technique: Actual at Fixed Intervals

**6.3.14 (See Amendment #3)**  
Grants to States

CFDA# 84.048

Vocational Education Basic

Recipient: Department of Education 100%

Component: Program Expenditures

Technique: Average Clearance

Component: Payroll & Administrative Costs

Technique: Actual at Fixed Intervals

**6.3.15** CFDA# 84.126  
Rehabilitation Grants to States

Rehabilitation Services - Vocational

Recipient: Department of Social Services 100%

Component: Assistance Payments

Technique: Estimated Clearance

Component: Payroll

Technique: Average Clearance

Component: Administrative Costs

Technique: Actual at Fixed Intervals

**6.3.16**

CFDA# 93.558

Temporary Assistance to Needy Families

Recipient: Department of Social Services 100%

**(See Amendment #3)**

Component: Assistance Payments - Checks

Technique: Estimated Clearance

Component: Assistance Payments - EBT

Technique: Actual Clearance - ZBA

Component: Initial Payments - Checks

Technique: Composite Clearance

Component: Initial Payments - EBT

Technique: Actual Clearance - ZBA

Component: FINDWORK Contract Payments

Technique: Composite Clearance

Component: Payroll

Technique: Average Clearance

Component: Administrative Costs

Technique: Actual and Adjusted Estimate Clearance

**6.3.17**

CFDA# 93.575

Child Care and Development Block Grant

~~(See Amendment 2)~~ See Amendment 4

Recipient: Department of Social Services 100%

Component: Assistance Payments  
Technique: Estimated Clearance

Component: Payroll  
Technique: Average Clearance

Component: Administrative Costs  
Technique: Actual and Adjusted Estimate Clearance

Subrecipient: Department of Education  
Component: Program Expenditures  
Technique : Average Clearance

Component: Payroll  
Technique: Average Clearance

Component: Administrative Costs  
Technique: Actual at Fixed Intervals

**6.3.18**

CFDA# 93.658

Foster Care - Title IV-E

See Amendment 4 for additional subrecipient

Recipient: Department of Social Services 100%

Component: Assistance Payments  
Technique: Estimated Clearance

Component: Payroll  
Technique: Average Clearance

Component: Administrative Costs  
Technique: Actual and Adjusted Estimate

**6.3.19**

CFDA# 93.667

Social Services Block Grant

Recipient: Department of Social Services 100%

Component: Assistance Payments  
Technique: Estimated Clearance

Component: Payroll  
Technique: Average Clearance

Component: Administrative Costs  
Technique: Actual and Adjusted Estimate

**6.3.20**

CFDA# 93.778

Medical Assistance Program SEE

**Amendment #1**

Recipient: Department of Health and Hospitals 100%

Component: Medicaid Benefits  
Technique: Estimated Clearance

Description: This component will remain in place until all payments are converted to Medicaid Benefits - EFT. This is expected take place by October 1, 1998. This component will be phased-out as more providers are shifted to EFT; therefore less and less payments will be made using this technique.

Component: Medicaid Benefits and Disproportionate Share Pool Payments- EFT  
Technique: Actual Clearance

Component: Medicare Buy-in Premiums  
Technique: Actual Clearance (ZBA)  
Description: The State will draw down funds monthly for HCFA Medicare premium payments for supplementary medical insurance premiums and hospital insurance premiums. Funds will be transferred to the State account on the same day that the funds are electronically transferred to HCFA.

Component: Payroll  
Technique: Average Clearance

Component: Medicaid Administrative Cost Grant  
Technique: Actual and Adjusted Estimate

**6.3.21**

CFDA# 93.959

Block Grants for Prevention and

Treatment of Substance Abuse

Recipient: Department of Health and Hospitals 100%

Component: Contract Payments  
Technique: Composite Clearance

Component: Payroll  
Technique: Average Clearance

Component: Administrative Costs  
Technique: Actual and Adjusted Estimate

Subrecipient: Department of Health and Hospitals Capital Area Human Services District  
Component: Contract Payments  
Technique: Actual Clearance

Description: The Capital Area Human Services District is one of 10 districts which service clients in the State of Louisiana. This is the only district which is separately appropriated and budgeted. These payments are funded through interagency transfers from the Department of Health and Hospitals, after the expenditure is incurred.

**6.3.22** CFDA# 96.001 Social Security - Disability Insurance  
Recipient: Department of Social Services 100%  
Component: Payments to Providers  
Technique: Average Clearance  
Component: Contract Payments  
Technique: Average Clearance  
Component: : Payroll  
Technique: Average Clearance  
Component: Administrative Costs  
Technique: Actual and Adjusted Estimate

**6.3.23 (See Amendment #3)**

**7.0 CLEARANCE PATTERNS (See Amendment 2)**

**7.1** The State shall use the following methodology to develop clearance patterns for all programs listed in Section 4.2 of this agreement.

**7.1.2 (See Amendment 2)** The State shall apply the clearance pattern for CFDA # 10.555, National School Lunch Programs, to CFDA # 10.553, School Breakfast Program; **CFDA # 10.558, Child and Adult Care Food Program; and CFDA # 84.048, Vocational Education Basic Grants to States. (See Amendment 3)** The recipients for these programs are basically the same as those for the National School Lunch Program; therefore, the accounting should be the same.

**7.1.3** The State shall use the clearance pattern developed for the contract payments component of CFDA# 96.001, Social Security - Disability Insurance, for the payments to providers component of the same program. The basis for this grouping is that the payments are made to the same type of service providers. Even though the amount of the checks in each program differs, the accounting for them by the recipients should be the same.

**7.2** The following State agencies shall develop the State's clearance patterns:

Department of Education

Department of Health and Hospitals

Department of Labor

Department of Social Services

Department of Transportation and Development

Executive Department

**7.1.4,5 (See Amendment #3)**

**7.3** The sources of data that the State shall use when developing its clearance patterns are check registers, checks cleared reports from the bank, and reconciliation tapes.

**7.4** When developing each clearance pattern, the State agencies shall track at least 99% of the funds disbursed, from issuance to clearance, for a period of at least three months.

**7.5** The State shall identify for each check or warrant (hereafter, check) in the population: (1) the date the check was released for payment; (2) the date the check was debited from the State's account; and (3) the amount of the check.

**7.6** The State shall use the following method to calculate the dollar-weighted average day of clearance:

To determine the number of days each check was outstanding (clearance time), the issue date shall be subtracted from the date the check cleared the State's account.

To determine the percentage of the disbursement paid out each day following issuance, the amount of the checks that clear the State's account each day shall be summed and then divided by the amount of the total disbursement.

For each day following issuance, the clearance time of the checks paid out that day shall be multiplied by the percentage of the total disbursement those checks represent. This product is the clearance factor.

The dollar-weighted average day of clearance for the disbursement shall be determined by summing the clearance factor of each day following the disbursement.

**7.7** The State shall adjust the payroll clearance pattern to reflect the dollar-weighted proportion of funds paid out by EFT/Direct Deposit, where such deposits exist.

**7.8** The State will usually use the actual expenditures for calculating payroll costs. However, at June 30 and December 31 of any year, it may be necessary to use estimated costs for payroll expenditures, based upon the day of the week when the State's payroll system will update the State's accounting system. This is due to when the last payroll in June or December will post to the accounting system. Drawdowns for payroll expenditures will be reconciled within 14 days after these two dates. Draws will be adjusted accordingly. Every effort will be made to ensure accuracy and any errors will be corrected in the next draw. Such errors will be interest neutral.

**7.9 (See Amendment 2)** Each of the State's clearance patterns is calculated in calendar days, except Community Development Block Grants/State's Program (CFDA# 14.228), which is calculated in business days.

**7.10** An authorized State official shall certify that each clearance pattern developed by the State accurately corresponds to the clearance activity of the programs to which it is applied. This certification shall be provided to FMS prior to the effective date of the agreement. The State shall recertify its clearance patterns at least every five years.

**7.11** The State shall follow the procedures of 31 CFR 205.8 if it has actual or constructive knowledge, at any time, that a clearance pattern does not correspond to a program's clearance activity.

## **8.0 INTEREST CALCULATION METHODOLOGY**

### **8.1 General Terms**

**8.1.1** Where actual clearance, average clearance, estimated clearance, and composite clearance funding techniques are applied, the State and the Secretary agree that no interest liabilities will be incurred for transfers of funds made in accordance with the procedures specified in Section 6 of this agreement.

**8.1.2** The State shall maintain information on disbursements and receipts of funds to verify the implementation of any funding technique and document interest liabilities.

For each disbursement, the State shall be able to identify:

- (1) the amount of the issuance;
- (2) the date of issuance;
- (3) the date federal funds are received and credited to a State account; and
- (4) the amount of federal funds received.

### **8.2 Federal Interest Liabilities**

**8.2.1** A federal interest liability shall accrue from the day the State pays out its own funds for program purposes to the day federal funds are credited to a State account. With regard to funds transferred out of the Federal Highway Trust Fund, if a State does not bill at least weekly for current project costs, the federal interest liability shall not accrue prior to the day the State submits a request for funds.

**8.2.2** The State shall use the following method to calculate federal interest liabilities:

**Actual Activity** - For all transactions where the State pays out its own funds for program purposes prior to receiving federal funds, the State shall track each payment from the date it is paid out of a State account to the date federal funds are subsequently credited to a State account to cover that outlay. If the federal agency fails to follow the receipt schedule outlined in Exhibit I, the federal interest liability shall be based on the difference in whole days between the two events. With federal-state matching programs, interest shall be calculated on the federal percentage of the disbursement.

**Estimated Clearance** - For all transactions where the State pays out its own funds for program purposes prior to receiving federal funds, the State shall compare the daily clearance pattern, to the date federal funds are credited to a State account. If the federal agency fails to follow the receipt schedule outlined in Exhibit I, the federal interest liability shall be based on the difference in whole days between the estimated clearance of state funds and the actual deposit of federal funds. With federal-state matching programs, interest shall be calculated on the federal percentage of the disbursement.

Average Clearance - For all transactions where the State pays out its own funds for program purposes prior to receiving federal funds because the federal agency fails to follow the receipt schedule outlined in Exhibit I, the federal interest liability shall be based on the difference in whole days between the average date of clearance for the disbursement, and the date the related federal funds are credited to a State account. With federal-state matching programs, interest shall be calculated on the federal percentage of the disbursement.

Composite Clearance - For all transactions where the State pays out its own funds for program purposes prior to receiving Federal funds because the federal agency fails to follow the receipt schedule in Exhibit I, the federal interest liability shall be based on the difference in whole days between the average date of clearance as applied to the midpoint of the disbursement period, and the date the related federal funds are credited to a State account. With Federal-State matching programs, interest shall be calculated on the Federal percentage of the disbursement.

### **8.3 The Unemployment Trust Fund**

**8.3.1** The State shall use the following method to calculate State interest liabilities on funds withdrawn from the several accounts in the Unemployment Trust Fund:

The State shall use the following methodology to calculate State interest liabilities on funds withdrawn from the State account in the UTF under the Unemployment Insurance program.

Based on the statements provided by its financial institution, the State shall determine the actual interest earnings and the related banking costs attributable to funds withdrawn from its account in the UTF. At the end of the State's fiscal year, the State shall calculate the percentage of its total unemployment compensation expenditures for (1) funds withdrawn from the State account in the UTF, or the "State %", and (2) funds withdrawn from the Federal Employees Compensation Account (FECA) and the Extended Unemployment Compensation Account (EUCA) and any other accounts of federal funds in the UTF, or the "Federal %".

The actual interest earnings of the benefit payment account on the whole constitute actual interest earnings attributable to funds withdrawn from the State account in the UTF, since the State shall apply the estimated clearance funding technique, which is interest neutral, to funds withdrawn from the FECA and EUCA.

The State shall calculate the related banking costs attributable to funds withdrawn from the State account in the UTF by multiplying the "State %" by the amount of the related banking costs of the benefit payment account as a whole. The State's liability for interest on funds withdrawn from its account in the UTF shall consist of the actual interest earnings of the benefit payment account on the whole less the related banking costs attributed to such funds.

### **8.4 Refund Liabilities**

**8.4.1** The State shall be liable for interest on refunds from the date the refund is credited to a State account until the date the refund is debited from the State account for program purposes. **SEE Amendment #1**

**8.4.2** For each refund, the State shall maintain information identifying:

(1) the date a refund is credited to a State account;

- (2) the date of the subsequent deposit of federal funds against which the refund is offset; and
- (3) the amount of the refund.

**8.4.3** The State shall use the following methodology to calculate interest liabilities on refunds:

The State shall apply a \$10,000 refund transaction threshold, below which the State shall not incur interest liabilities on refunds. A transaction is defined as a single deposit.

With programs to which actual clearance, average clearance, estimated clearance, and composite clearance funding techniques are applied, the State interest liability shall be based on the difference in whole days between the date the refund is deposited in a State account and the date the refund is offset against a subsequent draw of federal funds.

#### **8.4.4 SEE Amendment #1**

### **8.5 Exemptions**

**8.5.1** Where more than one State agency is a recipient of federal funds under a program, a particular State agency's funding may be excluded from tracking provisions if the State agency receives an amount of funds less than 5% of the State's threshold for major federal assistance programs. Notwithstanding this potential exemption, however, in no case shall less than 90% of a program's total funding be subject to interest calculation procedures.

Projection of calculations: If less than total program funding is subject to interest calculation procedures, the resulting interest liability calculations shall be projected to 100% of Program funding.

**8.5.2** The State and the Secretary agree that no interest liabilities shall be incurred or calculated for indirect costs or administrative cost grants.

### **8.6 State Interest Liabilities**

**8.6.1** The State shall be liable for interest on federal funds from the date federal funds are credited to a State account until the date those funds are paid out for program purposes.

**8.6.2** With regard to the post issuance funding technique, there are special interest provisions that apply to the particular program in question (see Section 8.3).

**8.6.3** In instance where funds are not drawn in accordance with the interest neutral provisions outlined in Section 6.2 (actual clearance [ZBA] - same day payment; estimated clearance; average clearance; composite clearance; and actual and adjusted estimate), interest shall be calculated as described in Section 8.6.5.

**8.6.4** The State interest liability on each payment shall be based on the difference in whole days between when federal funds are credited to a State account and when it was either expended for program purposes or offset against a subsequent draw of federal funds.

**8.6.5** The State's interest liability for each program shall be calculated by applying the following formula:

$$I = A \times D \times R$$

I = State's total interest liability

A = Amount of the payment in question

D = Number of days between deposit and either expenditure for program purposes or offset against a subsequent draw

R = Annual rate of the average equivalent yields of 13-week Treasury bills auctioned during a State's fiscal year divided by 365.

**8.7** The State and the Secretary agree that the State will not be penalized for funding fluctuations, delays, or occurrences beyond the control of the State (i.e., a natural disaster making normal funding requests impossible).

**8.8** Based upon both parties acting in good faith in the performance of their responsibilities pursuant to this agreement, consistent with the provisions of the federal Debt Collection Act of 1982, as amended, interest will not accrue on any interest owed by either party as a result of subsequent audit findings.

#### **9.0 REVERSE FLOW PROGRAMS**

N/A

#### **10.0 DIRECT COSTS OF IMPLEMENTATION**

**10.1** As set forth in 31 CFR Part 205, costs of implementation are defined as those direct costs necessary for the development and maintenance of clearance patterns and those costs necessary to perform actual calculation of interest liabilities.

**10.2** The State expects to incur the following types of direct costs of implementation:

- (1) warrant clearance development;
- (2) interest calculation; and
- (3) preparation of annual report.

**10.3** The State shall submit all claims for reimbursement of direct costs with its Annual Report in accordance with CFR Part 205.

#### **11.0 NON-COMPLIANCE**

**11.1** The provisions of 31 CFR Part 205.17 shall apply in cases of non-compliance with the terms of this agreement.

#### **12.0 AUTHORIZING SIGNATURES**

Date

Whitman J. Kling, Jr.

Assistant Commissioner

Division of Administration

State of Louisiana

Date

Larry D. Stout

Assistant Commissioner

Federal Finance

Financial Management  
Service

U.S. Department of the  
Treasury